GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:726
ANSWERED ON:22.11.2002
DECLINE IN FDI INFLOW
PRABHA RAU;SURESH CHANDEL

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether FDI inflow in the country has declined steadily since 1997 inspite of the fact that Government have taken a number of steps to encourage the FDI inflow ;

(b) if so, whether India now falls in eight position in the 15th positions as indicated in the report of the Global Consultancy A.T. Kearney;

(c) if so, the decline in FDI observed since 1997 onward upto date against the target fixed, if any year-wise;

(d) the reasons for shortfall in FDI inflow; and

(e) the manner in which Government propose to attract foreign investors so as to regain the lost ground?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) : The amount of inflow has generally registered an increasing trend except in the year 1999. The year-wise Foreign Direct Investment (FDI) inflows from 1997 to 2002 (upto August) are as under :

(Rupees in crore)

Year	1997	1998	1999	2000	2001	2002 (Jan-Aug)
Inflow	12,989.27	13,269.21	9,259.90	10,441.20	16,071.50	12,438.44

? The above figures exclude ADRs/ GDRs.

(b) While India has fallen by 8 positions to 15th position, with a 20% decline in the likelihood of receiving of FDI as per the A.T. Kearney FDI Confidence Index Report of September 2002, in terms of actual performance, India is among the few countries that have been able to buck the downward trend in world FDI inflows, which declined by 51% in 2001 and is expected to further decline by 27% in 2002. FDI inflows amounting to US$ 4.06 billion (excluding ADRs and GDRs) were received during 2001-02 as against US$ 2.46 billion received in 2000-01, registering a 66% growth. The upward trend in FDI inflows has been sustained during the current financial year as well. FDI inflows amounting to US$ 678 million (excluding ADRs and GDRs) were received during April and May, 2002 as against US$ 467 million received during the corresponding period in 2001, resulting in a growth of 45%. Further, as per the recent UNCTAD report, China, Malaysia, India and Philippines have been identified as the four countries in developing Asia which are expected to witness increased FDI inflows.

(c) & (d) : As explained in the reply to Part (b) above there has been no decline in the FDI inflows into the country. Further, no target has been formally fixed for FDI.

(e) : The Government of India is making continuous efforts to make India an attractive destination for FDI in the region by providing an internationally competitive investment climate in terms of policy framework, factors and institutions. The FDI policy is reviewed continuously to make it more investor friendly. In order to increase FDI, the Government has permitted access through the automatic route for FDI upto 100% in most activities.